



DRUK PNB BANK LTD

... your partner in growth!



ANNUAL REPORT 2014



Staff Members of Phuentsholing Branch



Staff Members of Wangdue Branch



Staff Members of Corporate Office & Thimphu Branch



Staff members of Gelephu Branch



Staff members of Paro Branch

Table of Contents

1. Board of Directors	1
2. Financial Highlights.....	2
3. Directors Report	3
4. CEO's Report	6
5. Auditor's Report	8
6. Financial Statements	
a. Balance Sheet	13
b. Income Statement	14
c. Statement of Changes in Equity	15
d. Cash Flow Statement	16
e. Significant Accounting Policies	17
f. Reconciliation of Share Capital	21
g. Notes of Accounts	22
d. Schedules	23

ABOUT DRUK PNB BANK LTD

Capital

Authorized Capital: 1000 Million

Paid Up Capital : 449.39 Million

Share holding Pattern

Punjab National Bank, India: 51%

Promoters in Bhutan: 19%

Public: 30%

CORPORATE OFFICE

Post Box No 502, Norzin Lam, Thimphu Bhutan
Tel. No +975-2--324497, 325936, 331291 Fax. No +975-2-327546, 333156
www.drukpnbbank.bt SWIFT Code: PUNBBTBT
Web site: www.drukpnbbank.bt



THIMPHU BRANCH

Post Box No 502, Norzin Lam,
Near Main Traffic,
Thimphu Bhutan
Tel. No +975-2--324497, 325936
Fax. No +975-2-327546, 333156



PHUENTSHOLING BRANCH

Post Box No 156,
Zhung Lam, Near RRCO,
Phuentsholing Bhutan
Tel. No +975-5-253660,
253661, 253662
Fax. No +975-5-253669



WANGDUE BRANCH

Post Box No 1305,
New Bajo Town,
Wangdue Phodrang Bhutan
Tel.No +975-2-481932, 481930
Fax No. +975-2-481931



Gelephu Branch

P.O. Box 156, Jangchub Lam,
Gelephu, Bhutan.
Tel No. +975-6-252246
Fax No. +975-6-252245



Paro Branch

Paro Town, Bhutan.
Tel No. +975-8-271036
Fax No. +975-8-271038

Board of Directors



Dasho Sangay Wangchuk
Chairman



Bidyut Prakash Ray
General Manager (PNB)



R. Subramania Kumar
General Manager (PNB)



Parveen Kumar Chhokra
Independent Director



Kesang Wangdi
Independent Director



Tandin Tshering
Public Shareholder Director



Mukesh Dave
Chief Executive Officer

Financial Highlights:

Financial Highlights:

Assets/Liabilities Position(In million Ngultrum)

Item	As of 31.12.2013	As of 31.12.2014
Total Assets	6286.13	7261.32
Capital Fund	750.92	977.77
Deposit Liabilities	5145.63	5720.31
Advances	3733.75	3917.07

Operating Results

Item	For the year 2013	For the year 2014
Income	528.46	577.52
Expenses	384.08	429.87
Net Profit (after tax)	97.10	99.56

Ratios

	2013	2014
Loan to Deposit		
Operating Efficiency	42%	42%
Net Interest Margin	5.94%	5.09%
Earning Base	0.59	0.54
Return on Assets(total)	1.54%	1.37%
Return on Capital	23%	14.27%
Profit Per Employee	0.98Mio	0.96Mio

Druk PNB Bank Ltd.,

Thimphu, Bhutan

Directors' Report: 2014

Dear Shareholders,

I extend a very warm welcome to all the shareholders who are present here for the 5th Annual General Meeting of your Bank. On behalf of the Board of Directors I present before you the Annual Report of your bank for the year ended 31st December 2014. Your bank has completed 5 years of successful operations in 2014 registering a growth in total business from Nu. 8,879.37 Mio in 2013 to Nu 9,635.99 Mio, comprising of Nu 5,718.92 Mio as Deposits and Nu 3,917.07 Mio as Advances. In terms of customer base also, the bank has achieved encouraging results with number of accounts surpassing 78,000 mark as on 31st December 2014 an increase of over 17% over 2013. This satisfactory performance of your bank in a span of 5 years is indicative of the quality services offered to the public. Your bank has not only registered satisfactory business growth, but also has maintained the quality of assets and liabilities much better than the Industry average. The retail deposit base of the Bank, which is considered to be stable deposit, is above 81% of the total deposits and also the performing advances are 96.64% (97.51% in 2013) of total advances.

In terms of the instructions received from Bhutan Accounting Standards (BAS) established on 30th April 2010 for introduction of accounting standards based on the International Financial Reporting Standards (IFRS) we were fortunate to be chosen by the authority for handholding while preparing the financial reports as per BAS for the year ended 31.12.2014. Hence the annual report of your bank being presented today is as per Bhutan Accounting Standards phase 1.

Net Profit:

In 2014 the bank earned total income of Nu 577.52 million against total expenditure of Nu 429.87 million (after making provisions) resulting in post-tax net profit of Nu 99.56 million, which is approx. 2.26% more than the net profit of Nu 97.36 million earned in 2013. Same was done with prudent management of deposit and by maintaining asset quality in spite of a difficult year for Bhutanese economy.

Dividend, Capital & Reserve:

The Board of Directors is pleased to recommend a dividend of 8% for the year 2014. This will result in profit distribution of Nu. 35.98 million out of total net profit of Nu. 99.56 million, thus plough back profit of Nu 63.58 million towards strengthening of capital fund of the bank. Out of the retained profit of Nu 63.58 million, an amount of Nu.49.78 million has been transferred to General reserve in terms of the RMA guidelines and balance Nu.16.94 million retained in P & L account after maintaining foreign exchange fluctuation reserve of Nu. 1.38 million.

Board of Directors:

As on 31 December 2014, there are 7 directors on the Board of the Bank, comprising the Chairman, the CEO, two PNB nominee directors and one public shareholder director and two Independent Directors. During the year 2014, following changes took place in the composition of the Board of Directors:

Mr. R. Subramania Kumar GM PNB was inducted as PNB nominated director in the Board on 10th June 2014 in place of Mr. Parmod Kumar Sharma, who resigned from the Board.

The Board met four times during the year complying with the requirements of the Companies Act of the Kingdom of Bhutan, 2000 and RMA Prudential Regulations. The quorums of these meetings were duly maintained. The statutory records/documents have been duly maintained by the Bank as per the requirement of the Companies Act of the Kingdom of Bhutan, 2000.

Corporate Governance:

The bank is committed to best practices in Corporate Governance by adhering to high standard of transparency, accountability, ethical business practices, operational efficiencies and social responsiveness for maximizing interest of all the shareholders.

As a listed company, Bank is complying with various regulatory requirements. Bank has complied with the guidelines of the Royal Monetary Authority of Bhutan and the Royal Security Exchange of Bhutan on the matters relating to corporate governance, which has been examined by the Statutory Auditors.

Statutory Compliance:

The bank has complied with all regulatory norms in respect of classification of assets; provisioning on loans as per the quality, exposure limits to single largest borrower & ten largest borrowers; Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) at all times. The bank is in the process of further consolidation of its risk management techniques and establishment of an independent internal audit cell for improvement in compliance in future.

Business expansion:

We are pleased to inform our esteemed shareholders that we have opened a new branch Dangdung, Trongsa in January 2015, making total of 6 branches so far. We shall keep exploring viable sites for opening of new branch offices in the other parts of the country. To improve its alternate delivery channel, the bank installed 1 more ATM in Thimphu (Babesa) during the year, thus raising the total number of ATM's to 16 including onsite ATM installed at our new Trongsa Branch.

Corporate Social Responsibility:

The bank has concern towards society in which it operates. As a part of its CSR and to promote sports in the society the Bank sponsored India House golf tournament during the year 2014 followed by Dantak Open Mountain Bike Race 2014. Also partly sponsored the "Health Walk" organized by the Bhutan Health Trust Fund during the year.

Staff training and welfare:

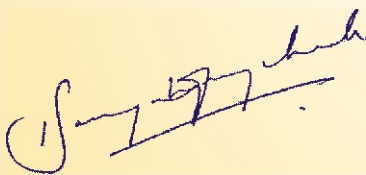
The bank gives top priority to the banking knowledge and skill development of its employees by providing them regular training to ensure efficiency in delivering service to its customers. During the year the bank provided training to 15 of its employees in various organizations in Bhutan and 14 of its employees in PNB's Central Staff College in New Delhi India/MasterCard Academy, Mumbai/ FSS Head Quarter in Chennai, India.

Statutory Auditors:

M/s M P Sureka and Co. , Chartered Accountants, Kolkata have audited the bank's books of accounts for the year ended 31st December 2014.

Acknowledgement:

The Board expresses its sincere gratitude to the Royal Government of Bhutan, the Royal Monetary Authority of Bhutan, the Royal Securities Exchange of Bhutan and other regulators for their valuable guidance and support. The Board also thanks all the financial institutions in Bhutan and correspondent banks in India & third countries for their cooperation and patronage. The Board acknowledges the gratifying confidence of the customers and shareholders and wishes to place on record its appreciation for the dedicated services and contribution made by the employees of the bank towards its growth and achievement during the year.



(Dasho Sangay Wangchuk)

Chairman

For and on behalf of the Board of Directors.

CEO's Report:

I, on behalf of the board and the Management of DRUK PNB Bank Limited would like to take this opportunity to place before you the financial highlights of this bank for the year ended 2014.

The Year 2014 continued to be a year of stress for the financial sector due to crawling economic conditions in the country. However, with the lifting of ban on import of vehicles and permission for financing of new sectors from September 2014 onwards after a gap of more than 2 years, some respite was felt by the financial sector opening up the investment avenue. Resultantly, your bank has been able to record a marginal increase in net profit over last year. We are also pleased to share with stakeholders, and in particular our share holders, that we could achieve targets set for 2014 in mobilization of funds, its channelization to the various productive economic sectors and payment services, despite competition in the market from the existing veteran banks. All these achievements were made possible due to our understanding of customers' needs and providing them with appropriate customized banking solutions. Bank's high level of Customer Service ably backed by efficient technical support provided by the parent bank - Punjab National Bank, which is a leading public sector bank in India, has made remittances to India very fast and reliable, making lives of Bhutanese people, particularly those whose children are studying in India, easier and hassle free. Business community having financial dealings with India has also been the beneficiary of our smooth and efficient facility for transfer of funds, both inward and outward.

Financial Aspect

Some of the key parameters from which the bank's performance can be gauged, having regard to a tough year for the economy in general when the country could manage a GDP growth of 2.05% only and Banking sector in particular, are as under:-

- Total Business increased from Nu. 8,879.37 Million in 2013 to Nu. 9,635.99 Million in 2014.
- Total deposits increased from Nu. 5,145.62 Million in 2013 to Nu. 5,718.91 Million in 2014.
- Total advances increased from Nu. 3,733.75 Million in 2013 to Nu. 3,917.07 Million in 2014.
- Net profit increased from Nu. 99.56 Million in the 5th year of operation, from Nu. 97.35 Million last year.
- Capital fund increased to Nu. 977.22 Million in 2014 from Nu. 910.39 Million last year
- Customer base as of 31/12/2014 reached 78,000+
- Earnings Base of 62%.
- Business per employee (excluding subordinate staff) recorded over Nu. 93 Million.

Service Delivery Channel

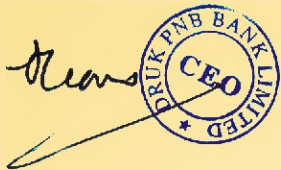
The bank continues to serve the country through its five branches in Thimphu, Phuentsholing, Wangdue, Gelephu, and Paro as the prospective customers are mainly concentrated in these areas. The bank has opened its 6th Branch at Trongsa in January 2015, to cater to the requirements of the workers / business in the Mangdechhu Hydro Power Project being commissioned at Trongsa as also the local public.

The Bank's ATM network now stands at 16 in centres where it opened branches for the convenience of customers to withdraw cash 24x7 and reduce footfall in the branches. Your Bank's ATM's have been acknowledged to provide uninterrupted efficient services to the customers with minimum down-time, which is redefining the way Banking is transacted in Bhutan.

Community Services

The bank not only focuses on its core business of providing services to the people, it values community services as well. As a part of its corporate social responsibility and as a gesture of sports promotion in Bhutan, your Bank has sponsored India House Golf Tournament during the year 2014.

Tashi Delek.

A handwritten signature in blue ink, appearing to read 'Mukesh', is written over a circular blue ink stamp. The stamp contains the text 'DRUK PNB BANK LIMITED' around the perimeter and 'CEO' in the center.

Mukesh Dave

Chief Executive Officer

Auditors' Report to the Members,

DRUK PNB BANK LTD

- 1 We have audited the accompanying financial statements of Druk PNB Bank Limited, which comprise the statement of Financial Position as at 31st December, 2014 and Statements of Comprehensive income, Changes in Equity and Cash Flows for the year ended on that date, and a summary of significant accounting policies and other explanatory notes and information. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We have conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 - 2.1 We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
 - 2.2 In our opinion, proper books of account, as required by law, have been maintained by the Bank so far as appears from our examination of those books.
 - 2.3 The Statements of Financial Position, Comprehensive Income, Changes in Equity and Cash Flows dealt with by this report are in agreement with the books of account.
 - 2.4 In our opinion and to the best of our information and according to the explanations given to us, the financial statements are prepared in accordance with the requirements of "The Companies Act of The Kingdom of Bhutan, 2000" and the "Bhutan Accounting Standards" to the extent applicable in the manner so required and also give a true and fair view:
 - a) In the case of the Statement of Financial Position, of the state of the affairs of the Bank as at December 31, 2014.
 - b) In the case of the Statement of Comprehensive Income, of the profit for the year ended on that date; and
 - c) In the case of the Statement of Changes in Equity, of the movement in equity for the year ended on that date' and
 - d) In the case of Statement of Cash Flows, of cash for the year ended as on that date.
- 3 As required by the minimum audit examination and reporting requirements under 2nd paragraph of Schedule XIV under section 75 of The Companies Act of the Kingdom of Bhutan 2000, read with Part II of Schedule XIV to the extent applicable, and on the basis of such checks as we considered appropriate and according to the information and explanation given to us, we further report that:
 - 3.1 The Bank has maintained proper records showing full particulars including quantitative details and situations of Fixed Assets. The codification of fixed asset has been done by the management in order to maintain a proper internal control. The physical verification of fixed assets has also been conducted during the year. *However we observe that the inter-branch transfer of fixed assets has not been properly accounted for, resulting in deviation of fixed assets as per physical verification and as per books of accounts.*
 - 3.2 None of the Fixed Assets have been revalued during the year.
 - 3.3 The company has not taken any loan secured or unsecured from Companies under the same management terms of which are prejudicial to the interest of the company.

- 3.4 The company has not granted any loan, secured or unsecured to other companies, firms or other parties and / or to companies under the same management terms of which are prejudicial to the interest of the company.
- 3.5 No excessive / frequent advances are generally granted and accumulation of large advances against particular individual is generally avoided.
- 3.6 The loans / advances granted to officers / staffs are in keeping with the provision of Service Rules and no excessive / frequent advances are granted and accumulation of large advances against particular individual is avoided.
- 3.7 In our opinion and according to the information and explanation given to us the Bank has established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Bank as well as to ensure adherence to the rules, regulations and systems and procedures.
- 3.8 Fund based / Non-fund based facilities were provided to the Directors or any other parties related to the Directors or with company or firms in which the Directors are directly or indirectly interested under similar terms and conditions as are applied with other parties. *Such transactions have been adequately disclosed in the financial statements.* Such terms and conditions are not prejudicial to the interest of shareholders and other Directors of the Bank.
- 3.9 In our opinion, the transactions of purchase and sales of goods and services made in pursuance of contracts or arrangements entered into with the directors or their relatives, companies or firms in which the directors are directly or indirectly interested have been made at prices, at which the transactions for similar goods or services have been made with other parties. *Such transactions have been adequately disclosed in the financial statements.* Such terms and conditions are not prejudicial to the interest of shareholders and other Directors of the Bank.
- 3.10 According to the records, the Bank is regular in depositing rates and taxes, duties, provident funds and other statutory dues with the appropriate authority.
- 3.11 There are no undisputed amounts payable in respect of rates, taxes, duties, provident fund and other statutory dues outstanding at the year-end.
- 3.12 No personal expenses of employees or directors have been charged to the Bank accounts other than that payable under contractual obligations or in accordance with generally accepted business practice.
- 3.13 In our opinion and on the basis of information and explanation given to us, the management of liquid resources, particularly cash / bank and short term deposits etc is reasonably adequate and excessive amounts are not lying idle in non interest-bearing accounts.
- 3.14 In our opinion and on the basis of available records and information, the activities carried out by the Bank are lawful and intravires to the Articles of the Incorporation of the Bank.
- 3.15 The details of remuneration and other payment made to the Chief Executive Officer of the Bank have been suitably disclosed in Notes No.24.

- 3.16 The bank has established an effective budgetary control system.
- 3.17 As represented to us, the directives of the Boards have been complied with.
- 3.18 So far as we have been represented and our knowledge is concerned, the officials of the Bank have not transmitted any price sensitive information's which are not made public, unauthorized to their relatives / friends / associates or close persons which would directly or indirectly benefit themselves.
- 3.19 The Bank has maintained the adequate documents and records where it has granted loans and advances for which agreements have been drawn up and timely entries have been made therein.
- 3.20 The Bank has not dealt or traded in shares, securities and other investment during the year.
- 3.21 The Bank has adequate records for funds collected from depositors and for interest payments.
- 3.22 The Bank has complied with the requirements of Financial Service Act of Bhutan, 2011 and any other applicable laws, rules and regulations and guidelines issued by the appropriate Authorities.
- 3.23 The requirements of RMA Prudential Regulations, 2002 relating to provisioning for the non-performing assets including loans and advances have been complied with. *However it is advisable to adopt generating system prompt NPAs especially in case of working capital advances.*
- 3.24 Recognition of interest income in respect of non-performing assets has been complied with.
- 3.25 The assets hypothecated against loans and advances have been physically verified, properly valued, mortgage deed executed and ensured that the assets are free of any prior lien or charges.
- 3.26 Proper analysis is carried out before re-phasing / rescheduling of loans.
- 3.27 There is a system to ensure that additional loans are not granted to those who have defaulted payments of previous advances.

Computerized Accounting Environment

1. The Organizational and system development controls and other internal controls are adequate relative to size and nature of computer installations.
2. There are adequate safeguard measures and backup facilities exist in relation to computer facilities.
3. The backup facilities and disaster recovery measures include keeping files in different locations.
4. The operational controls have been established with the implementation of the CBS to ensure correctness and validity of input data and output information.

5. The measures to prevent unauthorized access over the computer installation and files are adequate.

General

1. Going Concern Problems:

Based on the net asset position reflected by the Bank's Balance Sheet as at 31st December, 2014 audited by us in accordance with the Generally Accepted Auditing Standards and on the basis of such other tests as we considered necessary in this regards, we have no reason to believe that the Bank is not a going concern on the Balance Sheet date and is not likely to become sick in the near future.

2. Ratio Analysis:

The significant ratios indicating the financial health and profitability of the Bank are given below:

Ratio	Amount in Millions	2014	2013
Current ratio Current Assets/Current liabilities	4554.580/3974.180	1.15	1.09
Core capital Tier I capital/Total Risk weighted assets	697.388/6618.626	10.54%	10.58%
Capital Adequacy Tier I & Tier II capital/Total Risk weighted assets	977.774/6618.626	14.77%	13.20%
Statutory Liquidity Requirement Quick Assets/Total liabilities less Capital fund and liabilities to RMA	2397.148/6067.078	39.51%	36.98%

Particulars	2014	2013
Credit Deposit Ratio Loans & Advances / Deposits	68.49%	72.56%
NPA Ratios Total NPA / Loans & Advances	3.45%	2.49%
Interest Expense / Deposits	4.84%	4.63%
Interest Income / Loans	12.04%	12.24%
Deposit Growth	11.14%	2.59%
Advance Growth	4.91%	4.42%
Increase / (Decrease) in Provision	20.61%	20.60%
Increase / (Decrease) in Forex Income	(5.57%)	1.26%
Return on Investment (PAT / Capital employed x 100)	14.27%	23.00%
Earnings per Share (PAT / No. of Shares issued)	Nu.2.21	Nu.21.61
Net Profit Ratio (PBT / Total Income x 100)	25.56%	27.32%

3. Compliance with the Companies Act of the Kingdom of Bhutan, 2000.

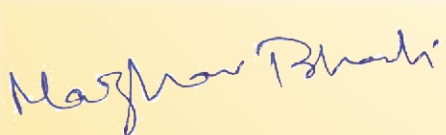
The Bank has complied with the various provisions of the Companies Act of the Kingdom of Bhutan, 2000 concerning conducting of meetings, filing requirements, maintenance of records, issue of shares and all other matters specified in the said Act.

4. Adherence to Laws, Rules and Regulations

The audit of the Bank is governed by the Companies Act kingdom of Bhutan, 2000, RMA Prudential Regulations, 2002 and Financial Service Act of Bhutan 2011. The scope of audit is limited to examination and review of the financial statements as produced to us by the management.

The Bank has generally complied with the applicable laws, rules and regulations, systems, procedures and practices as informed and explained to us.

**For M. P. Sureka & Co
Chartered Accountants (FRN 322097E)**



**Mazhar Bhati (Membership No. 300367)
PARTNER**

Date: 26th March 2015

Place: New Delhi

DRUK PNB BANK LIMITED

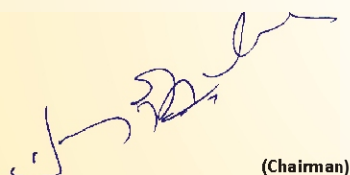
Statement of Financial Position

	Note	Amount in Nu.		
		As at		
		December 31, 2014	December 31, 2013	January 1, 2013
-Assets			(Reinstated)	(Reinstated)
Cash and balances with central banks	13	2,093,873,606.97	1,412,986,099.84	1,339,379,730.08
Due from banks	14	1,121,773,704.24	821,849,967.97	910,661,193.14
Cash collateral on securities borrowed and reverse repurchase agreements		-	-	-
Derivative financial instruments		-	-	-
Other financial assets held for trading		-	-	-
Financial assets held for trading pledged as collateral		-	-	-
Financial assets designated at fair value through profit or loss		-	-	-
Loans and advances to customers		3,917,074,167.17	3,733,750,978.58	3,575,761,302.20
Financial investments – available-for-sale	15	-	-	-
Financial investments – available-for-sale pledged as collateral		-	-	-
Financial investments – held-to-maturity		-	-	-
Other assets		83,910,247.39	263,518,676.25	145,561,551.28
Property, Plant and equipment	16	44,460,167.21	54,596,487.38	66,849,102.77
Goodwill and other intangible assets	4	-	-	-
Deferred tax assets		232,041.00	101,675.00	-
Non-current assets and disposal groups held for sale		-	-	-
Total assets	22	7,261,323,933.98	6,286,803,885.02	6,038,212,879.47
-Liabilities				
Due to banks		258,108,194.63	99,951,427.44	109,050,685.90
Cash collateral on securities lent and repurchase agreements		-	-	-
Derivative financial instruments	17	-	-	-
Other financial liabilities held for trading		-	-	-
Financial liabilities designated at fair value through profit or loss		-	-	-
Due to customers		5,462,205,233.71	5,048,085,577.36	4,909,567,927.20
Debt issued and other borrowed funds		236,400,000.00	115,200,000.00	144,000,000.00
Current tax liabilities		44,292,711.58	43,314,025.08	39,444,271.90
Other liabilities	18	388,346,612.81	204,121,238.01	154,639,688.20
Provisions	19	135,598,909.02	108,180,936.77	84,342,354.35
Deferred tax liabilities	12	-	-	-
Non-current liabilities and disposal groups held for sale	20	-	-	-
Total liabilities	21	6,524,951,661.75	5,618,853,204.66	5,441,044,927.55
Equity attributable to equity holders of parent				
Issued capital		449,712,300.00	449,392,300.00	449,027,300.00
Share premium		28,150,800.00	28,150,800.00	28,150,800.00
General Reserve		174,960,836.67	125,181,310.24	76,501,627.02
Retained earnings		80,541,184.20	63,598,019.69	43,320,185.90
Foreign Fluctuation Reserve		3,007,151.35	1,628,250.43	168,039.00
		736,372,272.23	667,950,680.36	597,167,951.92
Non-controlling interest		-	-	-
Total equity		736,372,272.23	667,950,680.36	597,167,951.92
Total liabilities and equity		7,261,323,933.98	6,286,803,885.02	6,038,212,879.47

The schedules referred to above form an integral part of the Balance Sheet
Signed in terms of our attached report of even date


(CEO)


Director


(Chairman)


(Mazhar Bhati)
Partner
(Membership No. 300367)



For M. P. Sureka & Co.
Chartered Accountants



DRUK PNB BANK LIMITED


Income Statement

	Note	Amount in Nu.		
		As at		
		December 31, 2014	December 31, 2013	January 1, 2013
Interest and similar income	5	471,526,820.27	457,182,836.94	389,178,908.12
Interest and similar expense	6	276,735,343.64	238,086,881.46	166,692,287.96
Net interest income		194,791,476.63	219,095,955.48	222,486,620.16
Fees and commission income	7	59,050,477.64	28,662,802.53	31,944,661.95
Fees and commission expense		-	-	-
Net fee and commission income		59,050,477.64	28,662,802.53	31,944,661.95
Net trading income		-	-	-
Net gain (loss) on financial assets and liabilities designated at fair value through profit or loss		-	-	-
Other operating income	8	46,939,091.95	42,609,600.30	30,279,954.50
Total operating income		300,781,046.22	290,368,358.31	284,711,236.61
NPA Provisions	9	26,304,467.25	22,940,652.43	43,267,490.14
Impairment losses on financial investments		-	-	-
Net operating income		274,476,578.97	267,427,705.88	241,443,746.47
Personnel expenses	10	50,274,230.77	48,020,948.96	41,033,543.40
Depreciation of property and equipment		14,910,947.69	14,525,806.20	12,749,895.95
Amortisation of intangible assets		-	-	-
Other operating expenses	11	61,649,028.57	60,339,783.09	56,179,400.79
Total operating expenses		126,834,207.03	122,886,538.25	109,962,840.14
Profit before tax from continuing operations		147,642,371.94	144,541,167.63	131,480,906.33
Income tax expense-Current Tax	12A	48,213,685.07	47,283,476.19	47,976,408.62
Income tax expense-Deferred Tax	12B	(130,366.00)	(101,675.00)	-
Profit for the year from continuing operations		99,559,052.87	97,359,366.44	83,504,497.72
Discontinued operations				
Profit after tax for the year from discontinued operations		-	-	-
Profit for the year		99,559,052.87	97,359,366.44	83,504,497.72
Attributable to:				
Equity holders of the parent				
Profit for the year from continuing operations		99,559,052.87	97,359,366.44	83,504,497.72
Profit for the year from discontinued operations		-	-	-
Profit for the year attributable to equity holders of the parent		99,559,052.87	97,359,366.44	83,504,497.72
Non-Controlling Interest				
Profit for the year from continuing operations		-	-	-
Profit for the year from discontinued operations		-	-	-
Profit for the year attributable to non-controlling interests		-	-	-
		99,559,052.87	97,359,366.44	83,504,497.72
Earnings per share	23			
Basic earnings per share		2.21	21.65	18.57
Diluted earnings per share		2.21	21.65	18.57
Basic earnings per share from continuing operations		2.21	21.65	18.57
Diluted earnings per share from continuing operations		2.21	21.65	18.57

The schedules referred to above form an integral part of the Balance Sheet
Signed in terms of our attached report of even date

 (CEO)

 Director

 (Chairman)


(Mazhar Bhati)
Partner
(Membership No. 300367)



For M. P. Sureka & Co.
Chartered Accountants



DRUK PNB BANK LIMITED

Statement of Changes in Equity

	Issued Capital	Share Premium	General Reserve (Statutory Reserve)	Retained Earnings	Foreign Fluctuation Reserve	Total Equity
At 1 January 2013						
Total comprehensive income	449,027,300.00	28,150,800.00	76,501,627.02	43,320,185.90	168,039.00	597,167,951.92
Issue of share capital	-	-	-	97,359,366.44	1,460,211.43	98,819,577.87
Share-based payments	365,000.00	-	-	-	-	365,000.00
Dividends paid for 2012	-	-	-	-	-	-
Transfer to Foreign Fluctuation Reserve	-	-	-	-26,941,638.00	-	-26,941,638.00
Transfer to General Reserve	-	-	-	-1,460,211.43	-	-1,460,211.43
Dividends of subsidiaries	-	-	48,679,683.22	-48,679,683.22	-	-
At 31 December 2013	449,392,300.00	28,150,800.00	125,181,310.24	63,598,019.69	1,628,250.43	667,950,680.36
Total comprehensive income	-	-	-	99,559,052.87	1,378,900.92	100,937,953.79
Issue of share capital	320,000.00	-	-	-	-	320,000.00
Share-based payments	-	-	-	-	-	-
Dividends paid of 2013	-	-	-	-31,457,461.00	-	-31,457,461.00
Transfer to Foreign Fluctuation Reserve	-	-	-	-1,378,900.92	-	-1,378,900.92
Transfer to General Reserve	-	-	49,779,526.43	-49,779,526.43	-	-
At 31 December 2014	449,712,300.00	28,150,800.00	174,960,836.67	80,541,184.20	3,007,151.35	736,372,272.23

Purpose of maintaining different reserves:-

a) Share Premium lying in reserves: To maintain CAR and to maintain single borrower limit within norms.

b) General reserves: Mandatory as per FSA (2011) chapter 6 Section 82(b)(i) which says as under: Every financial institution shall (a) Maintain a reserve fund; and (b) Before declaring any dividend from its net profits of each year (after due provision made for taxation), transfer to its reserve fund out of the net profits of each year— i. a sum equal to not less than 50 percent of the net profits of that year, so long as the amount of the reserve fund is less than 50 percent of its paid-up capital; or ii. a sum equal to not less than 25 percent of the net profits of that year, so long as the amount of the reserve fund is 50 percent but less than 100 percent of its paid-up capital.

c) Foreign Exchange Fluctuation Reserves: To handle exchange fluctuations.

The schedules referred to above form an integral part of the Balance Sheet
Signed in terms of our attached report of even date


(CEO)


Director


(Chairman)


(Mazhar Bhati)
Partner
(Membership No. 300367)



For M. P. Sureka & Co.
Chartered Accountants



DRUK PNB BANK LIMITED

Statement of Cash Flow

Particulars	31-Dec-14	31-Dec-13
	Amounts (Nu.)	Amounts (Nu.)
A. Operating Activities		
Profit before tax from continuing operations	146,844,293.68	144,541,167.63
Profit before tax from discontinued operations	-	-
Profit before tax	146,844,293.68	144,541,167.63
Adjustment for:-		
Change in operating assets	(183,323,188.59)	(157,989,676.38)
Change in operating liabilities	572,276,423.54	129,418,391.70
Change in other operating assets	179,608,428.86	(117,957,124.97)
Change in other operating liabilities	212,441,425.31	73,320,132.23
Other non-cash items included in profit before tax	14,910,947.69	14,542,996.34
Net gain/(loss) from investing activities		
Profit on sale of PPE	(197,640.00)	
Net gain/(loss) from financing activities		
Unrealised foreign exchange Gain on conversion of cash and cash equivalent	(1,036,494.95)	(467,730.30)
Income tax paid	(47,205,031.89)	(43,321,222.96)
Net cash flows from operating activities	Total of (A)	42,086,933.29
B. Financing Activities		
Proceeds from Issue of share capital	320,000.00	365,000.00
Proceeds from issuance of bonds	121,200,000.00	(28,800,000.00)
Dividends paid to equity holders	(31,457,461.00)	(26,941,638.00)
Net cash flows from/(used in) financing activities	Total of (B)	(55,376,638.00)
C. Cash Flow from Investing Activity		
Purchase of property and equipment	(5,247,979.20)	(2,382,881.00)
Proceeds from sale/damage of property and equipment	641,025.00	
Net cash flows from/(used in) investing activities	Total of (C)	(2,382,881.00)
Change in Cash and cash equivalents	(A+B+C)	(15,672,585.71)
Unrealised foreign exchange Gain on conversion of cash and cash equivalent	1,036,494.95	467,730.30
Opening Cash and cash equivalents	2,234,836,067.81	2,250,040,923.22
Closing Cash and cash equivalents	3,214,610,816.26	2,234,368,337.51
Change in Cash and cash equivalents	979,774,748.45	(15,672,585.71)

Reconciliation of closing Cash and cash equivalent

As per Cash Flow Statement	3,214,610,816.26	2,234,368,337.51
As per Statement of Financial Position		
Cash and balances with central banks	2,093,873,606.97	1,412,986,099.84
Due from banks	1,121,773,704.24	821,849,967.97
Unrealised foreign exchange Gain on conversion of cash and cash equivalent	(1,036,494.95)	(467,730.30)
	3,214,610,816.26	2,234,368,337.51

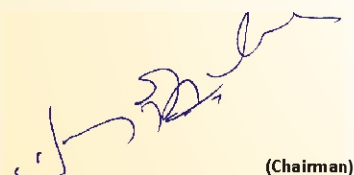
The schedules referred to above form an integral part of the Balance Sheet

Signed in terms of our attached report of even date



 (CEO)


 Director


 (Chairman)


 (Mazhar Bhati)
 Partner
 (Membership No. 300367)



For M. P. Sureka & Co.
 Chartered Accountants



Significant Accounting Policies for the Year ended 31st December 2014.

1. Basis of Preparation

These financial statements are general purpose financial statements that have been prepared in accordance and to comply with the BAS, the Generally Accepted Accounting Principles and the relevant provisions of The Companies Act of the Kingdom of Bhutan, 2000 including the Accounting Standard Rules for Companies in Bhutan, 2012.

The said financial statements have been prepared on the accrual basis of accounting with the historical cost convention and going concern basis except as stated otherwise in the Financial Statements. The preparation of the Financial Statements requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Company's accounting policies and the reported amounts of revenue, expenses, assets and liabilities may differ from the estimates.

2. Revenue Recognition:

- i) Items of income and Expenditure are accounted for on accrual basis except commission of guarantee and Letter of credit, which is accounted for on cash basis.
- ii) Interest, Rent, etc. are accounted at gross value before deduction of tax.
- iii) Interest income on loans is recognized on accrual basis except for non-performing loans with default over 90 days in respect of which the interest income, as per the guidelines issued by the Royal Monetary Authorities of Bhutan is shown under the head "suspended interest" which is taken to profit and loss account on actual realization only.

3. Property, Plant & Equipment:

The Company has adopted the transitional provision available under BAS-16 'Property, Plant and Equipment' and has elected to continue the carrying value existing as at the date of transition i.e. on January 1, 2013 as the deemed cost.

The cost of an item of property, plant and equipment is recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Property, plant and equipment are initially recognized at cost. The initial cost of property, plant and equipment comprises its net purchase price after deducting for any trade discount and rebates, including import duties and non-refundable purchase taxes, any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is computed using the straight line method over the estimated useful lives. Freehold land is not depreciated as it has an unlimited useful life whereas leasehold land is depreciated on a straight line method over the primary term of the lease.

The Company has based on evaluation performed by the technical Department, established the estimated range of useful lives of assets for depreciating its property, plant and equipment as follows:

Buildings (Capitalised expenses)	5 years
Machinery & Electrical Fittings	6.5 years
Steel Items	20 years
Wooden Articles	10 years
Machinery & Electrical Goods	6.5 years
Vehicle	6.5 years
Computer Equipment	6.5 years
Miscellaneous items	6.5 years

The useful life, residual value and depreciation method are reviewed, and adjusted appropriately, at least at each Statement of Financial Position date to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits. Change in the estimated useful life, residual value and / or depreciation method, if any, is depreciated prospectively over the asset's remaining revised useful life.

The cost and the accumulated depreciation for property, plant and equipment sold, scrapped, retired or otherwise disposed off are eliminated from the financial statements and the resulting gains and losses are included in the Statement of Comprehensive Income.

Note: The company is in the process of identification of various components/parts of different categories of assets for the purpose of charging of depreciation on each significant part as per the requirement of BAS.

4. Intangible Assets:-

Intangible assets include computer software and are carried at cost of acquisition/implementation less accumulated amortization. Amortization is recognized on a straight line basis over the estimated useful life as estimated by the management.

5. Loans:

Loans are stated at principal amount plus interest accrued thereon.

6. Retirement /employee benefits:

- i) Contribution to provident fund and other funds are accounted for as when accrued except leave encashment and leave travel concession (on declaration basis) which is accounted for on cash basis.
- ii) Gratuity is provided on accrual basis in respect of national employees only as per the service rule read with the guidelines framed by the Royal Civil Service commission of Bhutan presuming that all employees cease to work as of the year end.

7. Provision for non performing Loans:

Provision for non performing loans is made as per the guidelines issued by the Royal Monetary Authority of Bhutan at the following rate.

Category	Provision on outstanding principal amount (Existing)		Provision on outstanding principal amount (revised effective 31.12.2012)	
	Days	%	Days	%
1)standard	Upto 30	1.5%	Upto 30	1%
2)Watch	31-90	1.5%	31-90	1.5%
3)Substandard	91-180	20% (30% for sector with highest exposure)	91-180	15% (30% for sector with highest exposure)
4)Doubtful	181-365	50% (60% for sector with highest exposure)	181-18 months	50% (60% for sector with highest exposure)
5)Loss	> 365	100%	> 18 months	100%

Provision has been made as per the revised norms.

8. Income Tax:-

Current tax assets and liabilities for the current period are measured at the amount expected to be recoverable from or payable to the Income tax authority based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date by the Income Tax Authority.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

9. Foreign exchange fluctuations:

a) Functional and presentation currency-

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates referred to as the "functional currency". The functional currency and presentation currency of the Company is Bhutanese Ngultrum.

b) Transactions and Balances:-

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Comprehensive Income.

10. Cash and Cash Equivalents:

Cash and cash equivalents include cash in hand; bank balances and deposits, other short-term highly liquid investments with original maturities of three months or less and that are readily convertible to known amount of cash and cash equivalent and which are subject to an insignificant risk of changes in value.

11. Earning Per Share:

The Company presents the basic and diluted EPS data for its ordinary shares. Basic EPS is computed by dividing the net profit for the year attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

12. Contingent Liabilities:

Liabilities of contingent nature are disclosed in the notes on accounts.

13. Net Profit or Loss

The result declared in the Profit and Loss account is after considering:-

- i) Provision on non-performing loans.
- ii) Provision for depreciation on companies property, and
- iii) Other usual/ necessary provisions as required.

14. Dividends :

Dividends (including interim dividends) to ordinary shareholders is recognized as a liability and deducted from shareholders' equity in the period in which the dividends are declared by the Board of directors and approved by the ordinary shareholders.

DRUK PNB BANK LIMITED

Reconciliation of Share Capital

	As at 31.12.2014	As at 31.12.2013
SHARE CAPITAL		
(a) <u>Authorised Share Capital</u> 100,000,000 Equity Shares of Nu.10 Each (P.Y. 10,000,000 equity shares of Nu.100 each)	1,000,000,000.00	1,000,000,000.00
(b) <u>Issued, Subscribed and Fully Paid Up Share Capital</u> 44,971,230 Equity Shares of Rs.10 each fully paid up (P.Y. 4497123 equity shares of Nu.100 each) (4,493,923 Equity Shares of Nu.100 each fully paid up	449,712,300.00	449,392,300.00
(c) Par Value per Share	10.00	100.00
(d) Number of Equity Shares at the beginning of the year Add: Issue Less: Buy Back Number of Equity Shares at the end of the year	44,939,230.00 32,000.00 -	44,902,730.00 36,500.00 -
(e) The company has only one class of equity shares having a par value of Rs.10 per share (which has been converted during 2014 from Nu. 100 to Nu. 10 as per directions by RMA and RSEB of Bhutan). Each holder of equity shares is entitled to one vote per share. The holders of Equity Shares are entitled to receive dividends as declared from time to time. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.	44,971,230.00	44,939,230.00

Notes:

- During the year, The Royal Securities Exchange of Bhutan has converted the face value of shares of all listed companies from Nu. 100/- to Nu. 10/- with effect from 1st August, 2014. Consequently, the face value of share of Druk PNB Bank Ltd. has also changed from Nu. 100/- to Nu. 10/-.
- The following Extraordinary Issue of shares was made with special permission from the Royal Monetary Authority of Bhutan and Royal Securities Exchange of Bhutan Ltd – 32,000 No. of Shares to the Employees at par (Nu. 10 each).

3. Capital Management-

Capital Management: The primary objectives of the Bank's capital management policy are to ensure that the Bank complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholder value.

The Bank maintains an actively managed capital base to cover risks inherent in the business and meet the capital adequacy requirements of the local regulator (Royal Monetary Authority of Bhutan). During the past year, the Bank had complied in full with all its externally imposed capital requirements.

Regulatory capital consists of Tier 1 capital, which comprises Paid up capital, share premium, general reserve (statutory reserve) and retained earnings less loss for the current year. The other component of regulatory capital is Tier 2 capital, which includes other reserves; General Provisions to the extent that they do not exceed 1.25% of the sum of total risk weighted assets, subordinated term debts with a minimum original maturity of at least 5 years and profit for the current year.

DRUK PNB BANK LIMITED


NOTES TO ACCOUNTS

Note 4: Property, Plant and equipment


Particulars	Amount in Nu.								Total	
	Land and Building	Vehicles	Machinery & Furniture Fittings	Steel items	Wooden Articles	Machinery & Electrical Goods	Computer Hardware	Misc. Items		
Cost:										
At 1 January 2013	4,461,530.00	2,756,382.30	520,166.43	5,312,254.19	6,934,883.26	11,488,822.35	64,398,149.85	1,738,249.63	97,610,438.01	
Additions	-	-	49,470.00	272,004.00	38,539.00	602,107.00	1,266,460.00	58,293.00	2,286,873.00	
Disposals	-	-	-	-	-	-	-	22,000.00	22,000.00	
Exchange adjustment	-	-	-	-	-	-	-	-	-	
At 31 December 2013	4,461,530.00	2,756,382.30	569,636.43	5,584,258.19	6,973,422.26	12,090,929.35	65,664,609.85	1,774,542.63	99,875,311.01	
Additions	-	-	-	150,500.00	16,098.00	-	4,979,471.00	71,948.20	5,218,017.20	
Disposals	-	-	-	-	-	-	1,102,365.00	-	1,102,365.00	
Exchange adjustment	-	-	-	-	-	-	-	-	-	
At 31 December 2014	4,461,530.00	2,756,382.30	569,636.43	5,734,758.19	6,989,520.26	12,090,929.35	69,541,715.85	1,846,490.83	103,990,963.21	
Depreciation and impairment:										
At 1 January 2013	2,676,918.00	1,201,690.66	195,661.95	641,801.48	1,423,462.56	2,529,083.90	21,623,056.16	469,660.53	30,761,335.24	
Disposals	-	-	-	276,452.81	666,693.98	1,838,477.23	8,317.81	-	8,317.81	
Depreciation charge for the year	892,306.00	424,058.82	84,311.97	918,254.29	2,090,156.54	4,367,561.13	31,706,727.66	251,516.08	14,525,806.20	
At 31 December 2013	3,569,224.00	1,625,749.48	279,973.92	918,254.29	2,090,156.54	4,367,561.13	31,706,727.66	721,176.61	45,278,823.63	
Disposals	-	-	-	286,462.22	670,488.27	1,860,142.98	658,975.32	-	658,975.32	
Depreciation charge for the year	892,306.00	424,058.82	87,636.37	1,204,716.51	2,760,644.81	6,227,704.11	10,425,731.00	264,122.03	14,910,947.69	
At 31 December 2014	4,461,530.00	2,049,808.30	367,610.29	1,204,716.51	2,760,644.81	6,227,704.11	41,473,483.34	985,298.64	59,530,796.00	
Net Book value:										
At 1 January 2013	1,784,612.00	1,554,691.64	324,504.48	4,670,452.71	5,511,420.70	8,959,738.45	42,775,093.69	1,268,589.10	66,849,102.77	
At 31 December 2013	892,306.00	1,130,632.82	240,192.51	4,393,999.90	4,844,726.72	7,121,261.22	32,691,422.19	1,017,073.02	54,596,487.38	
At 31 December 2014	-	706,574.00	152,556.14	4,107,537.68	4,174,238.45	5,261,118.24	22,924,666.51	752,950.99	44,460,167.21	

4.a. Fixed assets having WDV of Nu. 443,390/- damaged during 2014 due to short circuit. The Bank has received Insurance claim of Nu. 641,030/- on account of this asset. The excess Insurance claim over WDV amounting Nu. 197,640/- has been treated as income and accordingly credited to the Profit & Loss account.


4.b. In the opinion of the management, there is no impairment of fixed assets of the company, which may require any adjustment.




Director




(Chairman)



(CEO)



(Mazhar Bhatti)
Partner
(Membership No. 300367)



(Chartered Accountants)

5. Interest and similar income

Particulars	As at 31-December-2014	As at 31-December-2013	As at 01 January-2013
Interest from Loans & Advances	425,720,019.42	416,344,372.78	373,369,532.47
Interest from Deposits with Banks in Bhutan	45,705,206.85	39,680,650.31	15,803,492.65
Other Interest Income	101,594.00	1,157,813.85	5,883.00
	471,526,820.27	457,182,836.94	389,178,908.12

Interest income on loans of Nu. 425,720,019.42/- is net of suspended interest of Nu. 14,420,284.07/- which conforms to the Prudential Regulation, 2002, issued by Royal Monetary Authority of Bhutan.

6. Interest and similar expense

Particulars	As at 31-December-2014	As at 31-December-2013	As at 01 January-2013
Interest paid on Deposits	259,376,439.53	227,286,881.46	155,892,287.96
Interest paid on Subordinated Term debts	17,358,904.11	10,800,000.00	10,800,000.00
	276,735,343.64	238,086,881.46	166,692,287.96

7. Net fees and commission income

Particulars	As at 31-December-2014	As at 31-December-2013	As at 01 January-2013
Fees and commission income	59,050,477.64	28,662,802.53	31,944,661.95
Fees and commission expenses	-	-	-
	59,050,477.64	28,662,802.53	31,944,661.95

8. Other operating income

Particulars	As at 31-December-2014	As at 31-December-2013	As at 01 January-2013
Dividend income	39,059,658.15	34,265,534.97	22,040,114.18
Other	7,879,433.80	8,344,065.33	8,239,840.32
Foreign Exchange Gain	7,879,433.80	8,344,065.33	8,239,840.32
-Realized Gain & Unrealized	46,939,091.95	42,609,600.30	30,279,954.50

9. Credit loss expenses

Particulars	As at 31-December-2014	As at 31-December-2013	As at 01 January-2013
Provisions against loans:			
General	2,718,753.74	2,714,536.14	7,730,755.41
Specific	25,789,680.65	36,538,127.32	17,020,756.56
Dynamic	(2,203,967.14)	(16,312,011.03)	18,515,978.17
Others	-	-	-
	26,304,467.25	22,940,652.43	43,267,490.14

10. Personnel expenses

Particulars	As at 31-December-2014	As at 31-December-2013	As at 01 January-2013
Salaries and other allowances	50,274,230.77	48,020,948.96	41,033,543.40
	50,274,230.77	48,020,948.96	41,033,543.40

10.1. Provision for bonus payable to employees has neither been ascertained nor been provided for in these accounts.

10.2. Gratuity of Nu. 1,113,505.00 have been provided in these accounts on the assumption that all the employees cease to be employed with effect from 01/01/2015. The accumulated provision (as on 31/12/2014) Nu. 3,790,575.00 have been deposited into a separate account with other financial institution as per the provisions of the Income Tax Act of the kingdom of Bhutan 2001.

10.3. The gratuity liability in respect of employees on deputation from the parent bank (PNB) has not been provided in view of the fact that the same shall be borne by the parent Bank.

The schedules referred to above form an integral part of the Balance Sheet
Signed in terms of our attached report of even date


(CEO)


Director


(Chairman)


(Mazhar Bhati)
Partner
(Membership No. 300367)



For M. P. Sureka & Co.
Chartered Accountants



11. Other operating expenses

Particulars	As at 31-December-2014	As at 31-December-2013	As at 01 January-2013
Advertising and marketing	2,848,998.92	1,676,226.74	3,071,632.53
Administrative	16,881,540.47	16,464,346.22	15,104,330.24
Outsourcing of Financial services	14,378,827.08	12,474,526.17	10,526,242.44
Professional fees	225,000.00	225,000.00	225,000.00
Rental charges payable under operating leases	12,019,632.00	10,078,632.00	8,817,271.00
Other	15,295,030.10	19,421,051.96	18,434,924.58
	61,649,028.57	60,339,783.09	56,179,400.79

12. Tax expenses

Particulars	As at 31-December-2014	As at 31-December-2013	As at 01 January-2013
(A)			
Current tax for the year	44,292,711.58	43,314,025.08	41,916,224.00
Miscellaneous tax paid	3,920,973.49	3,969,451.11	3,727,654.62
Tax for earlier year period	-	-	2,332,530.00
	48,213,685.07	47,283,476.19	47,976,408.62
(B)			
Deferred tax	(130,366.00)	(101,675.00)	-
TOTAL (A+B)	48,083,319.07	47,181,801.19	47,976,408.62

A sum of Nu. 3,920,973.49 relating to other taxes (like PIT of IBOs, BST on purchases etc) borne by the Bank during the current year has been accounted for from after tax profits.

13. Cash and balances with central banks

Particulars	As at 31-December-2014	As at 31-December-2013	As at 01 January-2013
Cash in hand:			
BTN	55,249,190.71	56,588,891.00	150,817,146.00
INR	157,120.00	277,300.00	1,028,410.00
FC	43,850,269.85	31,099,570.16	20,481,011.93
CRR with the Central Bank	299,050,533.69	340,740,615.14	200,085,979.00
Current account with the Central Bank	100,000.00	100,000.00	100,000.00
Balance with RMA	1,695,466,492.72	984,179,723.54	966,867,183.15
	2,093,873,606.97	1,412,986,099.84	1,339,379,730.08

14. Due from banks

Particulars	As at 31-December-2014	As at 31-December-2013	As at 01 January-2013
Balance with Banks in India & third countries			
Current Account	535,093,016.43	293,722,658.36	529,155,533.52
Current Account in Bhutan	26,403,617.81	41,150,239.61	81,505,659.62
Deposit Account in Bhutan	560,277,070.00	486,977,070.00	300,000,000.00
	1,121,773,704.24	821,849,967.97	910,661,193.14



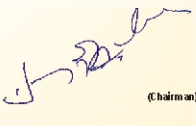
15. Loans and advances to customers

Particulars	As at 31-December-2014	As at 31-December-2013	As at 01 January-2013
Demand loans			
Cash Credit	267,941,360.93	280,213,464.31	406,995,958.07
Overdraft etc	259,983,387.00	155,291,439.25	150,491,534.24
Term Loan	810,109,437.98	753,940,990.74	641,069,236.52
Bills discounted & Pruchased	2,578,140,981.26	2,544,305,084.28	2,377,204,573.37
	899,000.00	-	-
	3,917,074,167.17	3,733,750,978.58	3,575,761,302.20


16. Other assets

Particulars	As at 31-December-2014	As at 31-December-2013	As at 01 January-2013
Interest accrued	63,640.30	278,045.49	16,042.00
Advances made recoverable/Adjustable	41,299,995.60	25,988,914.94	13,151,905.33
Advance I.Tax	22,796,678.69	19,780,446.00	7,533,284.00
Tax Deducted at Source		874,594.37	633,919.64
Remittances in Transit	-	-	19,010,000.00
Contribution to CIB Bhutan	1,375,000.00	1,000,000.00	500,000.00
Contribution for Training Institute	12,000,000.00	12,000,000.00	12,000,000.00
Govt. T Bills	-	198,500,000.00	90,643,818.44
Stationery in hand	1,254,787.90	1,819,153.51	1,889,924.87
Prepaid expenses	5,120,144.90	3,277,521.94	182,657.00
	83,910,247.39	263,518,676.25	145,561,551.28


The schedules referred to above form an integral part of the Balance Sheet Signed in terms of our attached report of even date


 (Chairman)



 (Mazhar Bharti)
 Partner
 (Membership No. 300367)



 For M. P. Sureka & Co.
 Chartered Accountants



17. Due to banks			
Particulars	As at 31-December-2014	As at 31-December-2013	As at 01 January-2013
Balance from other banks in Current Deposits	256,707,663.18	97,540,540.12	106,379,042.50
Balances with other offices	1,400,531.45	2,410,887.32	2,671,643.40
	258,108,194.63	99,951,427.44	109,050,685.90

18. Due to Customers			
Particulars	As at 31-December-2014	As at 31-December-2013	As at 01 January-2013
Demand Deposits:	3,412,802,450.12	2,784,731,820.36	3,177,827,978.20
Current Deposits	803,777,535.15	554,012,926.46	1,526,006,671.87
Savings Bank Deposits	2,609,024,914.97	2,230,718,893.90	1,651,821,306.33
Term Deposits:	2,049,402,783.59	2,263,353,757.00	1,731,739,949.00
Fixed Deposits	1,872,619,905.59	2,114,256,904.00	1,619,895,750.00
Recurring Deposits	176,782,878.00	149,096,853.00	111,844,199.00
	5,462,205,233.71	5,048,085,577.36	4,909,567,927.20

19. Subordinated term debts			
Particulars	As at 31-December-2014	As at 31-December-2013	As at 01 January-2013
60% of 144000 unsecured Bonds of Nu. 1000 each and 150000 Bonds of Nu. 1000 each under Govt. ESP	236,400,000.00	115,200,000.00	144,000,000.00
	236,400,000.00	115,200,000.00	144,000,000.00

20. Other Liabilities			
Particulars	As at 31-December-2014	As at 31-December-2013	As at 01 January-2013
Interest Payable	152,593,549.22	110,414,463.58	72,984,010.99
Suspended Interest	14,420,284.07	6,933,836.07	3,378,621.59
Accounts Payable and sundry creditors	221,332,779.52	86,772,938.36	78,277,055.62
	388,346,612.81	204,121,238.01	154,639,688.20

21. Provisions			
Particulars	As at 31-December-2014	As at 31-December-2013	As at 01 January-2013
Provision - Gratuity	3,790,575.00	2,677,070.00	1,779,140.00
Provision - Loans - General	40,978,965.02	38,260,211.28	35,545,675.14
- Specific	90,829,369.00	65,039,688.35	28,501,561.04
- Dynamic	-	2,203,967.14	18,515,978.17
	135,598,909.02	108,180,936.77	84,342,354.35

21. Provisions			
Particulars	As at 31-December-2014	As at 31-December-2013	As at 01 January-2013
Provision - Gratuity	3,790,575.00	2,677,070.00	1,779,140.00
Provision - Loans - General	40,978,965.02	38,260,211.28	35,545,675.14
- Specific	90,829,369.00	65,039,688.35	28,501,561.04
- Dynamic	-	2,203,967.14	18,515,978.17
	135,598,909.02	108,180,936.77	84,342,354.35

The schedules referred to above form an integral part of the Balance Sheet
Signed in terms of our attached report of even date

 (CEO)

 Director

 (Chairman)


(Mazhar Bhati)
Partner
(Membership No. 300367)



For M. P. Sureka & Co.
Chartered Accountants



22. Deferred tax			
Particulars	As at 31-December-2014	As at 31-December-2013	As at 01 January-2013
Depreciation as per BAS (based on useful life) during the year	14,910,947.69	14,525,806.20	-
Depreciation as per IT during the year	14,476,393.19	14,186,890.24	-
Timing Difference	434,554.50	338,915.96	-
Deferred Tax (Liability)/Asset	130,366.00	101,675.00	-
	29,952,261.38	29,153,287.40	-

23. EPS			
Particulars	As at 31-December-2014	As at 31-December-2013	As at 01 January-2013
Net Profit attributable to the owners of the company	9,900,398.00	97,359,366.00	83,504,497.72
Issued and outstanding ordinary shares at the beginning of the year	44,971,230.00	4,490,273.00	4,490,273.00
Shares issued during the year	32,000.00	3,650.00	3,650.00
Total Shares outstanding at the end of the year	45,003,230.00	4,493,923.00	4,493,923.00
Basic and Diluted EPS	2.20	21.66	

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  (CEO)

 Director

 (Chairman)


(Mazhar Bhatti)
Partner
(Membership No. 300367)



For M. P. Sureka & Co.
Chartered Accountants

24. Particulars of the transactions with the Directors and their relatives as per provisions of the Companies Act of the kingdom of Bhutan 2000:

Sl. No.	Name	Nature of Relationship	Nature of Transactions/Loan Facility	Outstanding as on 31.12.2014	Outstanding as on 31.12.2013
1	Director/ Associates Dasho Sangay Wangchuk	Director	Overdraft	1,531,789/-	5,647,921.15/-
2	Relative of the Director Ashi Chimi Yangzom Wangchuk	Spouse of Director	Term Loan	2,255,541/-	2,919,503.45/-
3	Dasho Kuenley Wangchuk	Director's Father	Term Loan	40,286,016/-	41,340,206.77/-
4	Aum Sangay Om	Director's Mother	Term Loan / Overdraft	79,242,415/-	75,735,201.79/-
5	Kesang Wangchuk	Director's Brother	Overdraft	5,553,399/-	8,271,978.98/-
6	Yangchen Wangchuk	Director's Sister	Cash Credit	9,014,795/-	5,792,791.00/-
7	Key Managerial Person Chief Executive Officer		Remuneration	Paid in 2014 3,116,798.72/-	Paid in 2013 3,688,725.45/-
			Sitting Fees	60,000.00/-	75,000.00/-

24. Contingent Liability

Contingent liabilities as at the Balance Sheet date are as follows:

	<u>Nu.</u>
a) Letter of Credit	482,851,370.24
b) Other Guarantees	993,651,164.52
Total	1,476,502,534.76

24. Management Expenses:

Management expenses include:

a) Managerial remuneration paid or payable to the Chief Executive Officer:

Particulars	2014 (Amt. in Nu.)	2013 (Amt. in Nu.)
Remuneration	3,116,798.72	3,688,725.45
Directors sitting fees	60,000.00	75,000.00

b) Audit Related:

Particulars	2014 (Amt. in Nu.)	2013 (Amt. in Nu.)
Audit fees and expenses:	225,000.00	225,000.00

24. Deferred Tax:

The Company did not recognize deferred taxes under previous GAAP. However, under BAS, deferred tax asset Nu. 101,675/- have been recognized as at December 31, 2013. Further the net position of deferred tax liability/asset during the year 2014 is as follow:-

	31.12.2013	31.12.2014
Opening Deferred Tax Liability/ (Assets)	-	(101,675.00)
Provided during the year	(101,675.00)	(130,336.00)
Closing Deferred Tax Liability / (Assets)	(101,675.00)	(232,041.00)

25. Bank has released Dynamic Provision of Nu. 2,203,967.14/- during the year as permitted by the norms prescribed by the Royal Monetary Authority of Bhutan.

26. The Company has made a provision for proposed dividend of Nu. 26,941,638/- under the previous GAAP as at January 1, 2013. However, under BAS, proposed dividend is not an adjusting event and hence, the same has been reversed which decreased the liability by such amount as at January 1, 2013. Also during the year 2013, the Company has made provision for proposed dividend of Nu. 31,457,461/- the same has been reversed under BAS which decreased the liability by the same amount.

27. Subsequent Events:

The Board of Directors has proposed a final dividend in respect of the financial year ended December 31, 2014, amounting to Nu. 35,976,984/- which is subject to approval of the members in the General Meeting to be held on April 22, 2015. These financial statements do not reflect this dividend payable.

27. Prior Period:

As per MOU with RMA, the Bank has paid Nu. 12,000,000.00/- as their share for setting up Banking Training Institute which has been considered as an equity investment by the management. Further, the Bank has also contributed to the Credit Information Bureau of Bhutan as Equity Investment amounting Nu. 13,75,000/-. The amount contributed to Credit Information Bureau includes Nu. 10,00,000/- which were shown as expense in earlier years rectified in during 2014 by giving retrospective effect by restating of previous year's figures in accordance with BAS.

The allotment of necessary share certificates in both the above cases is expected immediately after formation of respective Company under Companies Act of The Royal Kingdom of Bhutan, 2000

28. During the year the Bank has received Nu. 150 million from the Ministry of Finance, RGoB on 9th April, 2014 in the form of subordinated debt (1,50,000 scripts of subordinated bonds at face value of Nu. 1,000/- each) having maturity of 10 years and coupon rate of 6%, payable annually

The schedules referred to above form an integral part of the Balance Sheet
Signed in terms of our attached report of even date



 For M. P. Sureka & Co.
 Chartered Accountants

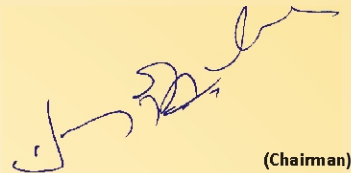
Deferred Tax Calculation

		Amount (Nu.)
2013		
Deferred Tax Liability		
Depreciation as per BAS (based on useful life) during the year		14,525,806.20
Depreciation as per IT during the year		14,186,890.24
		(338,915.96)
	Deferred tax Liability/(Assets)	(101,675.00)
2014		
Deferred Tax Liability		
Depreciation as per BAS (based on useful life) during the year		14,910,947.69
Depreciation as per IT during the year		14,476,393.19
		(434,554.50)
	Deferred tax Liability/(Assets)	(130,366.00)

The schedules referred to above form an integral part of the Balance Sheet
Signed in terms of our attached report of even date

  (CEO)

 Director

 (Chairman)


(Mazhar Bhati)
Partner
(Membership No. 300367)



For M. P. Sureka & Co.
Chartered Accountants

The impact of adopting BAS

(i) Statement of financial position as at January 01, 2013


	Previous GAAP	Adjustments under BAS	Reclassification or regrouping	As at January 01, 2013 (Restated)
Assets				
Property, Plant and Equipment	66,849,102.77	-	-	66,849,102.77
Equity & Liabilities				
Retained Earnings (Profit and loss a/c)	15,878,547.90	27,441,638.00	-	43,320,185.90

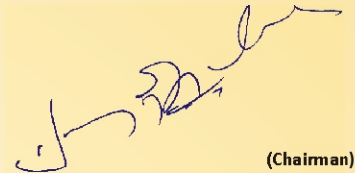
(ii) Statement of financial position as at December 31, 2013

	Previous GAAP	Adjustments under BAS	Reclassification or regrouping	As at January 01, 2013 (Restated)
Assets				
Property, Plant and Equipment	55,027,903.39	(431,416.01)	-	54,596,487.38
Deferred tax assets	-	232,041.00	-	232,041.00
Equity & Liabilities				
Retained Earnings	32,239,284.89	31,358,734.80	-	63,598,019.69

The schedules referred to above form an integral part of the Balance Sheet
Signed in terms of our attached report of even date


 (CEO)


Director


(Chairman)


(Mazhar Bhati)
Partner
(Membership No. 300367)



For M. P. Sureka & Co.
Chartered Accountants

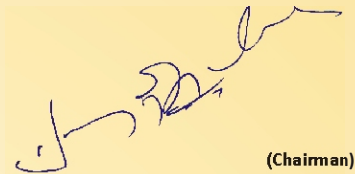
Retained Earnings (Profit & loss account) as per BAS as at 1.1.2013

(A)	Closing balance as per audited accounts as on 31.12.2012	15,878,547.90
	Add:- Prior period adjustments	500,000.00
	Add:- Dividend declared after year end	26,941,638.00
		43,320,185.90
	Less:- Depreciation Adjustments	-
	Less:- Dividend declared pertaining to earlier year	-
	Adjusted closing balance as on 31.12.2012	43,320,185.90

The schedules referred to above form an integral part of the Balance Sheet
Signed in terms of our attached report of even date

  (CEO)

 Director

 (Chairman)

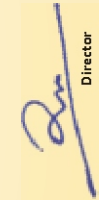

(Mazhar Bhatti)
Partner
(Membership No. 300367)




For M. P. Sureka & Co.
Chartered Accountants

DRUK PNB BANK LIMITED


Particulars	Particulars				Particulars			
	Retail Segment	Corporate Segment	Others	Total	Retail Segment	Corporate Segment	Others	Total
Operating Income								
Third Party	529,832,742.13	47,869,090.47	-	577,701,832.60	480,586,149.30	47,869,090.47	-	528,455,239.77
Inter Segment	-	-	-	-	-	-	-	-
Total Operating Income	529,832,742.13	47,869,090.47	-	577,701,832.60	480,586,149.30	47,869,090.47	-	528,455,239.77
Credit Loss Expense								
Impairment loss on Financial investments	529,832,742.13	47,869,090.47	-	577,701,832.60	480,586,149.30	47,869,090.47	-	528,455,239.77
Net Operating Income								
Extracts of Results								
Interest and Similar Income	422,859,651.54	47,869,090.47	-	470,728,742.01	409,313,746.47	47,869,090.47	-	457,182,836.94
Interest and Similar Expenses	255,856,128.64	20,879,215.00	-	276,735,343.64	220,616,034.46	17,470,847.00	-	238,086,881.46
Net Interest Income/Expenses	167,003,522.90	26,989,875.47	-	193,993,398.37	188,697,712.01	30,398,243.47	-	219,095,955.48
Fee and Commission Income	106,973,090.59	-	-	106,973,090.59	71,272,402.83	-	-	71,272,402.83
Fee and Commission Expense	126,482,821.94	-	-	126,482,821.94	123,047,622.29	-	-	123,047,622.29
Net Fees and Commission Income/Expense	(19,509,731.35)	-	-	(19,509,731.35)	(51,775,219.46)	-	-	(51,775,219.46)
Net Trading Income	-	-	-	-	-	-	-	-
Depreciation on PPE	-	-	-	-	-	-	-	-
Amortization of Intangible Assets	-	-	-	-	-	-	-	-
Segment Profit/Loss								
Income Tax Expenses	-	-	-	-	-	-	-	-
Profit for the year								
Assets								
PPE								
Intangible Assets								
Other Assets								
Total Assets	2,357,466,302.35	1,559,607,864.82	-	3,917,074,167.17	2,998,150,822.66	735,600,155.92	-	3,733,750,978.58
	2,357,466,302.35	1,559,607,864.82	-	3,917,074,167.17	2,998,150,822.66	735,600,155.92	-	3,733,750,978.58
Total Liabilities	5,153,121,994.89	565,790,902.00	-	5,718,912,896.89	4,278,797,388.48	866,828,729.00	-	5,145,626,117.48




Director




(Chairman)



(CEO)



(Mahzar Bhatti)
Partner
(Membership No. 300367)



DRUK PNB BANK LTD

OUR CORRESPONDENT BANKS

Country Name	Correspondent Bank	Swift BIC
Bahrain	Standard Chartered Bank, Manama, Bahrain (All Offices)	SCBLBHBM
Bangla Desh	International Finance Investment and Commerce Bank Limited, (IFIC Bank Limited), Dhaka	IFICBDDH
China	Bank of China , Beijing, China Standard Chartered Bank(China) , Shanghai, China	BKCHCNBJ SCBLCNSX
Finland	Nordea Bank Finland Plc, Helsinki, Finland	NDEAFIHH
Germany	Standard Chartered Bank , Frankfurt am Main Germany Branch	SCBLDEFX
Hong Kong	Punjab National Bank, Hong Kong Axis Bank Limited, Hong Kong Bank Of America, N.A. Hong Kong Standard Chartered Bank (Hong Kong), Limited,Hong Kong	PUNBHKHH AXISHKHH BOFAHKHX SCBLHKHH
India	Punjab National Bank, Mumbai (All branches worldwide) Andhra Bank, Mumbai, India Axis Bank Limited, Mumbai, India HDFC Bank Limited, Mumbai, India ICICI Bank Limited, Mumbai, India Bank Of Maharashtra, Mumbai, India Oriental Bank Of Commerce, Mumbai, India Standard Chartered Bank, Mumbai (India) State Bank of Bikaner and Jaipur, Mumbai, India Standard Chartered Bank , Jakarta, Indonesia	PUNBINBB ANDBINBB AXISINBB HDFCINBB ICICINBB MAHBINBB ORBCINBB SCBLINBB SBBJINBB SCBLIDJX
Indonesia	Standard Chartered Bank , Jakarta, Indonesia	SCBLIDJX
Italy	Unicredit S.P.A, Milano , Italy	UNCRITMM
Japan	Mizuho Bank Ltd, Tokyo, Japan Standard Chartered Bank, Tokyo, Japan	MHCBJPJT SCBLJPJT
Malaysia	Standard Chartered Bank, Malaysia Berhad, Kuala Lumpur, (All Offices In Malaysia)	SCBLMYKX
Nepal	Everest Bank Ltd, Kathmandu, Nepal Bank of Asia Nepal Ltd, Kathmandu, Nepal Nepal Industrial &Commercial Bank Ltd, Kathmandu, Nepal Nepal Bangladesh Bank Ltd, Kathmandu, Nepal Standard Chartered Bank Nepal Limited, Kathmandu, Nepal	EVBLNPKA BOALNPKA NICENPKA NPBBNPKA SCBLNPKA
Oman	Standard Chartered Bank ,Muscat, Oman	SCBLOMRX
Pakistan	Standard Chartered Bank (Pakistan)Limited, Karachi, Pakistan	SCBLPKKX
Qatar	Standard Chartered Bank, Doha, Qatar	SCBLQAQX
Singapore	Standard Chartered Bank, Singapore Axis Bank Limited, Singapore Bank Of America, N.A. Singapore Standard Chartered Bank(Singapore) Ltd., Singapore	SCBLSGSG AXISSGSG BOFASG2X SCBLSG22
South Korea	Standard Chartered Bank, Seoul, South Korea	SCBLKRSE
Sri Lanka	Axis Bank Ltd, Colombo, Sri Lanka Standard Chartered Bank, Colombo, Sri Lanka	AXISLKLX SCBLLKLX
Taiwan	Standard Chartered Bank, Taipei, Taiwan	SCBLTWTP
Thailand	Standard Chartered Bank(Thai)Public Company Limited, Bangkok, Thailand	SCBLTHBX
UAE	Punjab National Bank, Dubai, UAE Axis Bank Limited, DIFC Branch, Dubai,UAE Habib Bank Ag zurich, Dubai City, UAE Standard Chartered Bank, Dubai, UAE	PUNBAEAD AXISAEAD HBZUAEAD SCBLAEAD
UK	Punjab National Bank(International) Ltd. London, UK Standard Chartered Bank(All U.K. Offices), London, UK	PUNBGB22 SCBLGB2L
USA	Standard Chartered Bank, New York, USA	SCBLUS33



Corporate Office

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Fax : +975-2-333156/327546
Email : corporate@drukpnbbank.bt